

September 15, 2000

ADVICE 2010-E-A

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject—Revised Estimate of Market Value of Non-Nuclear Generating Facilities

Pacific Gas and Electric Company (PG&E) hereby supplements Advice 2010-E, filed on June 19, 2000. Advice 2010-E was filed in compliance with Decision (D.) 00-06-004, dated June 4, 2000; and D. 00-02-048 dated February 17, 2000, both in Application (A.) 98-09-003.

Purpose

The purpose of this supplemental filing is to withdraw the estimate of the market value of PG&E's remaining non-nuclear generation facilities provided in Advice 2010-E and replace it with a revised estimate.

Background

Advice 2010-E was filed on June 19, 2000, in compliance with D. 00-06-004 and D. 00-02-048.¹ In Advice 2010-E, PG&E: 1) submitted new Preliminary Statement Part AL—*Generation Asset Balancing Account (GABA)*, 2) described the entry to be recorded in PG&E's Transition Cost Balancing Account (TCBA) reflecting the estimated market value of PG&E's remaining generation plant, and 3) revised Preliminary Statement Parts AV—*Transition Cost Balancing Account (TCBA)*, AX—*Must-Run Fossil Plant Memorandum Account*, AY—*Non-Must-Run Fossil Plant Memorandum Account* and AZ—*Non-Must-Run Hydroelectric/Geothermal Memorandum Account*.

¹ D. 00-02-048 required that the compliance filing should be made within 21 days of that decision. The Commission's Executive Director later granted an extension to May 31, 2000, by letter dated March 6, 2000. The Commission's Executive Director, by letter dated May 23, 2000, granted a further extension to 15 days after a decision is issued on GABA. However, Ordering Paragraph 1 of D. 00-06-004 requires that compliance advice letters be filed within 10 days of the effective date of that decision.

On August 2, 2000, the Commission's Energy Division issued Draft Resolution E-3694. PG&E provided comments on the Draft Resolution on August 15, 2000. The Draft Resolution takes the position that Advice 2010-E was not in compliance with D.00-02-048 and D.00-06-004 on the grounds that PG&E's estimated generation plant market value did not, at a minimum, result in a credit to the TCBA equal to the net book value of its remaining generation assets. The Draft Resolution did not take issue with any other provision of Advice 2010-E and no protests were received to that filing. To date, the Commission has not acted on the Draft Resolution.

This supplemental advice filing makes moot the concerns raised in the Draft Resolution by revising the previously submitted estimate of market value in light of current market conditions and the record in current proceedings before the Commission.

Aggregate TCBA Credit

Ordering Paragraph 6 of D. 00-02-048 states:

PG&E and Edison shall credit the TCBA appropriately for estimated market value on an aggregate basis and for not less than net book value for non-nuclear assets, including the land surrounding such assets and Helms pumped storage plant. Assets jointly owned with other utilities shall be excluded from this approach. These credits shall be reflected in the monthly TCBA reports and Annual ATCP reports. PG&E and Edison shall include a list of all assets over \$500,000 in the first TCBA report in which these changes are implemented.

PG&E currently estimates the aggregate market value of its remaining non-nuclear generation assets to be \$2.8 billion. The change from the estimated market value of \$1.0 billion reported in Advice 2010-E is based primarily on three developments: 1) the sustained increase in the price of electric energy sold through the PX; 2) the preliminary results from the applications under Public Utilities Code (P.U.C.) Section 367 (b) and P.U.C. Section 851 to establish market values for various remaining generation assets filed on May 15, 2000; and 3) the record evidence in A. 99-09-053, including the filing of the Settlement Agreement for Valuation and Disposition of Hydroelectric Assets (Settlement). The Settlement was filed jointly in A.99-09-053 by PG&E, The Utility Reform Network (TURN), Agricultural Energy Consumers Association (AECA), the California Coalition of Utility Employees (CUE), the Tuolumne Utilities District, the Sonoma County Water Agency and the California Retailers Association.

To the extent that conditions in electric energy markets or additional evidence in the outstanding market valuation proceedings indicate that the estimated market value is different from \$2.8 billion, PG&E may revise its estimate of market value and make appropriate revised entries to the GABA and TCBA.

Based on this revised estimate of market value, the appropriate entry to the TCBA is the estimated amount in excess of the net book value of the plant as shown in the attachment to D. 00-06-004. Therefore, the entry to the TCBA, rounded, is a \$2.1 billion credit and the offsetting entry to GABA, rounded, is a \$2.1 billion debit. The credit to the TCBA is calculated as the \$2.8 billion aggregate estimated value, less the aggregate net book value of \$0.7 billion, as of August 31, 2000. The credit to the TCBA and the debit to GABA will reflect interest from June 23, 2000, the effective date of this filing.

	Amount (billions)
Estimated Value	\$ 2.8
Net Book Value	<u>0.7</u>
Net TCBA Credit	\$ 2.1

Tariff Revision

PG&E is revising the TCBA (Preliminary Statement Part AV, Section 6.A.10) to remove the words "one-time" for a credit entry equal to the aggregate estimated market value of non-nuclear generation assets, less the book value of those assets, per D. 00-02-048 and D. 00-06-004, to provide for possible future adjustments as appropriate.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Effective Date

In accordance with Ordering Paragraph 1 and 4 of D. 00-06-004, PG&E requests that this filing become effective on **June 23, 2000**. Except as noted above, PG&E is making no changes to the tariffs filed in 2010-E and requests Commission approval of the tariffs as filed in Advice 2010-E.

In accordance with Section III, Paragraph G of General Order 96-A, PG&E is mailing copies of this advice filing to the utilities and interested parties shown on the attached list, and interested parties in A. 98-09-003, A. 99-09-006, A. 99-09-053 and A. 98-05-022. Address change requests should be directed to Nelia Avendano at (415) 973-3529.

Vice President – Regulatory Relations

Attachments

cc: Service Lists A. 98-09-003
 A. 99-09-006
 A. 99-09-053
 A. 98-05-022



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